

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice PF-142

For: State and County Offices

Disabling FY 1996 and FY 1997 PFC Overpayment Processing

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

2-PF, paragraph 211 specifies that County Offices are required to process overpayments for **all** farms every 60 calendar days until the program is officially closed out. Currently, overpayment software is enabled for:

- program year 1995 ARP
- FY 1996 through FY 2000 PFC.

Notice PF-136 identified problematic situations that need to be corrected by County Offices about 1999 PFC and MLA overpayment registers.

B

Purpose

This notice:

- advises State and County Offices that the FY 1996 and FY 1997 PFC overpayment processes will be disabled when County Release No. 441 is installed
- instructs County Offices to:
 - process FY 1996 and FY 1997 overpayments before August 25, 2000
 - ensure all legitimate debts to CCC are immediately transferred to CRS
 - ensure FY 1996 or FY 1997 overpayments that were transferred to CRS that are not legitimate debts to CCC are canceled before August 25, 2000
 - ensure outstanding FY 1996 and FY 1997 receivables are timely transferred to the claims system
- instructs DD's to review FY 1996 and FY 1997 overpayment registers to ensure all legitimate debts are transferred to CRS before August 25, 2000.

Disposal Date

October 1, 2000

Distribution

State Offices; State Offices relay to County Offices

2 Requirements for Processing ARP and PFC Overpayments

A

Introduction

2-PF, paragraph 221 specifies that overpayments shall be calculated for **all** farms for all program years at least once every 60 calendar days to ensure that:

- producers are timely notified of overpayments
- the finality rule will not apply.

Further, County Offices shall continue to compute overpayments at least every 60 calendar days until the program is officially closed out. The program is not officially closed out until the software options are disabled.

B

Reasons for Closing Out FY 1996 and FY 1997 Overpayment Options

PFC overpayment processes use supporting files to determine whether a producer has been overpaid. These files include:

- subsidiary files, such as:
 - payment limitation file
 - eligibility file
 - joint operation, entity, and combined entity files
- PFC worksheet and share files
- farm and tract maintenance files.

Currently, many of the files listed in this subparagraph are only enabled for a limited number of years. For example:

- subsidiary files are enabled for the most current year and the 2 prior years
- farm and tract maintenance files are enabled for FY 2000 and FY 1999 only.

While the PFC worksheet and share files are still enabled for FY 1996 and future years, updates to the FY 1996 and FY 1997 are limited because of the unavailability of farm and tract maintenance files. Therefore, County Office users are limited in their capability to update these supporting files if it is determined that a producer has actually been overpaid.

Further, unless a new determination is made affecting FY 1996 and FY 1997 payments, there is no longer a need to continue processing overpayments for these years because all legitimate overpayments should have already been transferred to CRS.

Continued on the next page

2 Requirements for Processing ARP and PFC Overpayments (Continued)

C

Processing FY 1998 and Future Year Overpayments

County Offices are still required to process overpayments for **all** farms at least every 60 calendar days for 1998 and future years until the program year is officially closed out. County Offices shall ensure that the overpayment register is thoroughly reviewed and that each overpayment listed is either:

- transferred to CRS
- the condition causing the overpayment to be listed is immediately corrected.

Exception: There are a few situations that will cause a producer to be erroneously listed on overpayment registers. See Notice PF-136, paragraph 3 for a description of these situations.

If it is determined that an overpayment is not a legitimate debt but has a condition that cannot be corrected in the system, County Offices shall thoroughly document the following:

- reason the overpayment is not a legitimate debt
- condition causing the overpayment and why action cannot be taken to correct the condition.

Note: Enhancements are currently under development to provide users with access to the following files for the 3 most current years:

- farm and tract maintenance files
- subsidiary files.

D

1995 ARP Overpayments

The Federal Agriculture Improvement and Reform Act of 1996 provided that PFC payments shall be immediately reduced by the amount of 1995 deficiency overpayment amounts. Receivables established for 1995 overpayments are PFC payment reductions, not actual debts, if the producer enrolled in AMTA in 1996. These overpayments will remain in the receivable system until the overpayment amount is fully satisfied.

Because of the provisions of the 1996 Act and the fact that all 1995 deficiency overpayment amounts have not been fully satisfied, the 1995 ARP overpayment process remains enabled. County Offices shall ensure that:

- overpayments are computed as required in 7-PA, paragraph 192.4
 - PFC payments are reduced, as required, to satisfy 1995 overpayments.
-

3 Verifying Overpayments Listed on Overpayment Registers

A

Introduction

County Offices are required to:

- verify that all amounts listed on overpayment registers are legitimate debts before transferring the overpayment to CRS and notifying the producer accordingly
- correct the condition causing the overpayment to be listed on the overpayment register if it is determined that the overpayment is not a legitimate debt.

In addition to the situations described in Notice PF-136, paragraph 3, there are several other conditions that may cause a producer to be listed on overpayment registers that cannot be corrected. These conditions are listed in the remainder of this paragraph.

B

Reductions Recorded Through Special Payment Processing

Review of overpayment registers has identified situations where County Offices recorded a payment reduction through special payment processing before the PFC payment processing options were disabled for the fiscal year.

It was later determined that the payment reduction was not a legitimate reduction and the County Office has subsequently requested authorization codes to issue additional payments to the producer. Unless the invalid payment reduction was “zeroed” out through special payment processing before the payment software was disabled, that reduction remains on the payment history file and there is not any action the County Office can take to remove it. The producer will be listed on the overpayment register if subsequent authorized payments are issued.

Example: Producer A earned \$1,000 on wheat. When the payment was processed, the County Office issued \$600 to the producer with a \$400 GPR payment reduction. At this point, the producer has been paid \$1,000 even though the producer actually only received \$600.

The County Office subsequently determines that the \$400 payment reduction was invalid and requests an authorization code to issue \$400 to the producer. After the \$400 authorized payment is issued, the producer will be listed on the overpayment register because:

- GPR payment reduction was never zeroed out
- system computes that the producer has been paid \$1,400.

Continued on the next page

3 Verifying Overpayments Listed on Overpayment Registers (Continued)

C

Subsidiary Changes

In some cases, the authorization codes have been issued after the subsidiary maintenance options were disabled for the affected year. As a result, the subsidiary files could not be updated to properly reflect the producer's eligibility status; however, the authorization codes were issued because the producer was actually eligible for payment.

In these cases, the producer will be listed on the overpayment register because the subsidiary flags or payment limitation amounts are incorrect. Since County Offices no longer have access to update FY 1996 and FY 1997 subsidiary files, the condition cannot be corrected so payments issued to the producer may be listed on the overpayment register.

Example: Producer's actively engaged flag is in a suspended condition for FY 1996 and the condition causing the suspension was never rectified. Any payment issued to this producer will be listed on the overpayment register and there is not any action that County Offices can take to rectify this condition. However, the producer is not actually overpaid unless the suspended condition is valid.

4 Handling FY 1996 and FY 1997 PFC Receivables

A

Introduction

67-FI, paragraph 236 specifies that receivables shall be transferred to claims status that:

- are not transferred to note receivables
 - are not written off
 - were the cause of a first demand letter being issued, and over 30 calendar days have elapsed since the letter was issued.
-

B

Identifying Outstanding FY 1996 and FY 1997 PFC Receivables

There are several reports in the CRS application that identify outstanding receivables.

- Individual Producers with Outstanding Receivables
- Partnerships and Joint Ventures with Outstanding Receivables
- All Outstanding Receivables Older Than 60 Days.

Receivables listed on any of the reports identified in this subparagraph with a program code beginning with “96PFC” or “97PFC” shall to be reviewed to determine whether the receivable:

- is a legitimate debt to CCC
 - should be transferred to claims status.
-

C

Transferring Receivables to Claims

If it is determined that an outstanding receivable is a legitimate debt to CCC and **potentially qualifies** to be transferred to claims status, County Offices shall follow the guidelines 67-FI, subparagraph 236 B for transferring receivables to claims.

D

Canceling Erroneous PFC Receivables

If it is determined that an outstanding receivable is not a legitimate debt to CCC, County Offices shall cancel the overpayment according to 2-PF, paragraph 229.

Note: Overpayments cannot be canceled if a collection has been applied to the receivable. In these cases, County Offices shall cancel the remittance on CCC-257 according to 3-FI so that the overpayment can be canceled.

5 Action

A County Office Action

County Offices shall:

- process FY 1996 and FY 1997 overpayments for **all** farms as many times as necessary to ensure that all legitimate debts are transferred to CRS before August 25, 2000

Note: If it is determined that an overpayment listed on the overpayment register is not a legitimate debt, County Offices shall notate the following on the overpayment register:

- reason why the overpayment is not a debt
- why the system cannot be updated to remove the listing from the register.
- generate the reports identified in subparagraph 4 B to ensure that all outstanding receivables that are legitimate debts to CCC are transferred to the claims system timely and according to 67-FI
- cancel any FY 1996 and FY 1997 receivable that is not a legitimate debt to CCC according to 2-PF, paragraph 229 before August 25, 2000.

After County Release No. 441 is installed, County Offices shall manually establish receivables for newly identified FY 1996 and FY 1997 overpayments according to 67-FI.

B DD Action

DD's shall review:

- FY 1996 and FY 1997 overpayment registers to ensure:
 - all legitimate debts are transferred to CRS before August 25, 2000
 - the reasons provided that an overpayment is not a legitimate debt and that the system can no longer be updated to correct the condition causing the overpayment are thoroughly documented and valid.
 - outstanding receivable reports to ensure that all outstanding FY 1996 and FY 1997 receivables are:
 - transferred to claims timely as required in 67-FI
 - canceled from the PFC overpayment process before August 25, 2000.
-